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TOP SECRET

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State Department review completed

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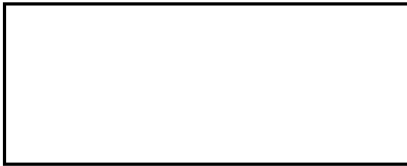
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GENERAL

1. Soviet trade mission reportedly to be sent to Burma:

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The Soviet Union will send a mission to Burma to explore the possibility of a trade agreement, according to the secretary of the Burmese Ministry of Commerce.

He stated that the USSR contemplates an agreement on an open account basis, not a barter deal, and that it would supply manufactured articles. He added that Burma is mainly interested in disposing of its current rice surplus.

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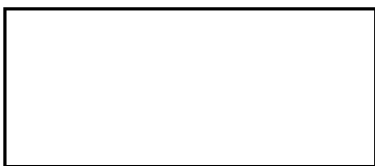


The Soviet Union apparently made no reply to Rangoon's official request of July 1952 for economic aid from the USSR.

FAR EAST

2. Rhee adamant on Japanese recognition of "Rhee line":

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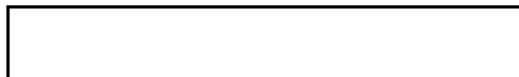
President Rhee strongly insists that any solution of the fisheries dispute with Japan is impossible without Japanese acceptance of the "Rhee line." In this connection he

professes fear of Japan on security and conservation grounds and opposes any arrangement which would conceivably permit Japanese "infiltration" of Korean waters.

According to Ambassador Briggs, the president apparently does not feel under any pressure to settle outstanding issues with Japan on other than his own terms, and views the proper role of American observers in future negotiations as assisting in persuading the Japanese to accept his "just demands."

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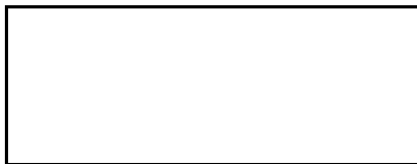
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Comment: Because of the importance of this issue to Japan's food supply and national pride, Rhee's continued stubbornness may soon force Japanese prime minister Yoshida to meet rapidly rising public demands for strong action and for invoking the American-Japanese security treaty. Yoshida has been persuaded with difficulty to postpone retaliatory measures against Korea, pending possible American mediation in the dispute.

3. Japan presses for quick transfer of Amami Islands:

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The Japanese Foreign Ministry is becoming extremely insistent that the negotiations for the transfer of the Amami Islands to Japan begin immediately. According to Ambassador

Allison, Foreign Minister Okazaki is apprehensive that failure to begin transfer discussions prior to the opening of the Diet session on 30 November may prompt critical questions by the opposition parties regarding American motives for the long delay.

Allison notes that the situation has reached a stage seriously detrimental to American relations and that the plan to relinquish the Amami Islands is beginning to boomerang.

Comment: Secretary of State Dulles announced in Tokyo on 8 August that the United States intends to return these islands of the northern Ryukyus group to Japan. This reversed the tide of anti-Americanism which had been gathering momentum during the previous six months.

SOUTHEAST ASIA

4. Evacuation committee believes Nationalist troops will be kept in Burma:

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Ambassador Donovan reports that American and other officers in charge of the evacuation of Chinese Nationalist troops believe that Li Mi, who is now on Formosa, intends to main-

tain a guerrilla force in Burma in contravention of Taipei's announced policy. They feel that Li is supported by certain elements in the Nationalist Ministry of Defense.



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According to Donovan, General Lu, who came out of Burma on 17 November, asserted that Li Mi controls the troops there through a three-man committee in Mong Hsat. The committee had recently assumed control over all but 450 of the 2,000 troops which had been under Lu's command.

Comment: The Nationalist foreign minister told the American ambassador in Taipei on 18 November that although Li Mi would issue a statement dissolving his army, Taipei could do little if the "jungle generals" refuse to give up their bases.

NEAR EAST - AFRICA

5. Prospective Libyan crisis threatens to delay US base negotiations:

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American minister Villard in Tripoli expects a showdown between Prime Minister Muntasser and King Idriss in mid-December when the premier returns from medical treatment in Europe.

Muntasser, at a recent meeting with Villard in Frankfurt, stated that his position as prime minister will become untenable unless the king grants him more authority.

Villard believes that there is less than an even chance of Muntasser's remaining in office and that his departure would indefinitely delay negotiations on the American base agreement.

6. Eden expects final decision on Suez talks before end of year:

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Foreign Secretary Eden expressed to Ambassador Aldrich on 18 November his belief that before the end of the year

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Britain would have concluded an agreement with Egypt or definitely decided no agreement was possible. He felt there was an even chance that an agreement would be reached.

Eden added that as long as he and Churchill stood together he was not concerned about the reported back-bench Conservative opposition to any withdrawal from the Suez base.

The Egyptian foreign minister told General Robertson on 16 November that Cairo would do its best to "find an answer" regarding availability of the base, but that both parties were responsible for reconciling "two positions which did not really lie far apart."

Comment: Discussions have been suspended since 21 October. There is still fundamental disagreement between the two countries regarding the conditions under which the base would become automatically available to the West and regarding the right of British technicians to wear uniforms.

WESTERN EUROPE

7. Molotov seeks to influence choice of Austrian foreign minister:

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[REDACTED] Soviet foreign minister Molotov, in a recent conversation with the Austrian ambassador, indicated dissatisfaction with recent developments in Austrian policy and implied that the appointment of a more friendly foreign minister would have a favorable effect on the USSR's policy toward Austria. He expressed an interest in knowing who the new appointee would be and referred to the unfriendly remarks and attitude of Interior Minister Helmer, retiring foreign minister Gruber, and former chancellor Figl.

Comment: While the Kremlin would prefer a more tractable Austrian foreign minister, there is no reason to expect that such an appointment would inspire any basic change in Soviet policy toward Austria. There are reliable reports that Figl, whose pro-Western attitude is unquestionable, will receive the appointment.

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